

Business Recovery & Insolvency Briefing

Measuring and Assessing Business Risk

Many people will look at the title of this and think, well of course there are risks in running a business and of course they would be right, but over the last few years much more has come out within the press and financial pages of the media about measuring and assessing risk.

This is not just a concept that huge organisations need to consider.

Now all medium and large companies must include an **Enhanced Business Review** in their Annual Directors' Report. This review must include a fair review of the business and a description of the principal risks and uncertainties that the business faces.

Even though it is not mandatory for smaller companies to make this report, if they are operating a business of any size they should be evaluating their risks.

Indeed not only should risks be considered but ways to manage them should be thought through. So that when one of the possible eventualities occurs, the directors are ready to respond and know how to deal with it. Properly assessing and measuring business risk should not be left as 'just one of those things I might do' for the Board of any small or medium enterprise, but it is one of the tasks that a prudent businessperson should look at regularly.

Many of you will think 'ah well, I know the risks my business faces' and you probably do. You may need to consider the following:

Have you measured which are the most important that you need to manage?

Have you considered who should be doing what in order for you to be able to easily deal with the matter should the eventuality arise?

Do you know which of these risks actually have the biggest effect on your business and are the most likely to affect it?

In all cases I'm sure that some of these factors will have been looked at, but have they all? Does your enterprise have proper planning for risks? Much of this could be common sense but it needs to be looked at, planned and thought through fully. An on-going appraisal and review of risk then needs to be prepared so that you can see whether you are managing the risks that face your business or just sitting on them. Are the risks getting worse and therefore more likely?

As auditors we don't have to audit the Enhanced Business Review. We do report as to whether the information in the Director's Report is consistent with the financial statements. However, if clients want us to help them to prepare a review of their risks and set up an on-going monitoring system we are able to do that. These will hopefully help you keep on top of risk management for the future.

Of course risks may not occur. However the probability is that some of them will and all businesses need to be ready to manage them as soon as they arrive. Don't let them catch you out!

If you have questions regarding this, please do contact either Anthony Harris on 01865 261100 or email insolvency@critchleys.co.uk

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